

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

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| (1) DEPARTMENT Planning and Building | (2) MEETING DATE 5/14/2013 | (3) CONTACT/PHONE Dana Lilley, Supervising Planner/(805)-781-5715 | |
| (4) SUBJECT A report from the Economic Vitality Corporation on interim results of the Economic Analysis Pilot Project. All Districts. | | | |
| (5) RECOMMENDED ACTION It is recommended that your Board receive and file a presentation and written report by the Economic Vitality Corporation regarding interim results of the Economic Analysis Pilot Project. | | | |
| (6) FUNDING SOURCE(S) General Fund | (7) CURRENT YEAR FINANCIAL IMPACT \$27,940.00 | (8) ANNUAL FINANCIAL IMPACT \$0.00 | (9) BUDGETED? Yes |
| (10) AGENDA PLACEMENT { } Consent { } Presentation { } Hearing (Time Est. ____) { x } Board Business (Time Est. <u>30 min</u>) | | | |
| (11) EXECUTED DOCUMENTS { } Resolutions { } Contracts { } Ordinances { x } N/A | | | |
| (12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A | | (13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: { } 4/5th's Vote Required { x } N/A | |
| (14) LOCATION MAP N/A | (15) BUSINESS IMPACT STATEMENT? No | (16) AGENDA ITEM HISTORY { } N/A Date: <u>8/28/2012 (#24)</u> | |
| (17) ADMINISTRATIVE OFFICE REVIEW Reviewed by Leslie Brown | | | |
| (18) SUPERVISOR DISTRICT(S) All Districts - | | | |

County of San Luis Obispo



TO: Board of Supervisors

FROM: Dana Lilley, Supervising Planner

VIA: Kami Griffin, Assistant Director

DATE: 5/14/2013

SUBJECT: A report from the Economic Vitality Corporation on interim results of the Economic Analysis Pilot Project. All Districts.

RECOMMENDATION

It is recommended that your Board receive and file a presentation and written report by the Economic Vitality Corporation regarding interim results of the Economic Analysis Pilot Project.

DISCUSSION

Background

As lead agencies, cities and counties consider many factors when approving discretionary permit applications for development projects. Factors considered and evaluated by lead agencies predominantly focus on environmental and community issues, which are driven by regulations and disclosure requirements (e.g. Subdivision Map Act, Planning and Zoning Law, and the California Environmental Quality Act). Economic factors are rarely considered in any formal manner except when an Environmental Impact Report (EIR) has been prepared for a project with unmitigated environmental impact(s) and the decision-makers have to make a Statement of Overriding Considerations that states there are economic, social or technological benefits that outweigh adverse, unmitigated environmental impacts of the project as a means to certify an EIR and approve the project. Despite the tradition of lead agencies focusing primarily on environmental and community issues, over the last several years, there has been a heightened interest to bring more economic information forward to decision-makers.

In 2010, the Economic Vitality Corporation (EVC) completed the San Luis Obispo County Clusters of Opportunity Economic Strategy, which was developed by business leaders for implementation by business leaders. One of the actions included in the strategy was the following:

"Encourage analysis of economic impacts of projects and policies in the County, and consistency with the Economic Element of the General Plan."

In September 2011, the County took a first step in this direction by including non-quantified "Business Impact Statements" in selected categories of items on the Board of Supervisors agendas. The EVC and County staff have been collaborating since September 2011 on an approach and procedure toward another step; to provide quantified information regarding the economic benefits of development projects. The staff of the County and the EVC agreed that such a new program should be designed to avoid both potential delays and increased costs for permits.

A three-tiered approach to economic analysis

The EVC's Economic Analysis Program is designed with three alternative "tiers" of information, all of which are voluntary for applicants. Under Tier I, an applicant completes an online questionnaire about the project and the EVC simply compiles and sends that information to the County. Under Tier II, upon an applicant's request, the EVC enters the information provided by the applicant into an online economic modeling program to generate more complete economic results including jobs, income, invested capital, and public revenues. Furthermore, the Tier II economic modeling program forecasts economic results that would be directly generated by the development project during construction and operation of the approved business, including direct, indirect and induced results (i.e., the "economic multiplier" effect). Here are definitions of these types of impacts:

- "Initial" Actual impact - One job added, additional sales or earnings to an industry.
- "Direct" Industry transactions - Direct impacts take place only in the industry immediately impacted and consist of permanent jobs, wages and output of the event itself.
- "Indirect" Inter-Industry transactions - Indirect impacts are the jobs, wages and output created by businesses, which provide goods and services essential to the construction of the project, the special event, tourist activity, or to the new company.
- "Induced" Impacts to household income - Induced impacts are the result of spending of the wages and salaries of the direct and indirect employees on items such as food, housing, transportation, etc.

Tier III involves consultant prepared economic impact analyses, which would most likely be commissioned by the County and funded by the applicant for large development projects.

Twelve month pilot project

On August 28, 2012, the Board of Supervisors approved an agreement with the EVC for the County to provide \$27,940 to cover EVC costs for a twelve month pilot project of its Economic Analysis Program in order to generate economic benefits information for eight discretionary land use permits. Of those eight projects, three would be the subject of Tier I analyses, and five projects would be the subject of Tier II analyses. This pilot project was designed to enable the EVC, the County and the public to better understand the nature and usefulness of economic information that could be provided, how that information is received in a public setting, and also to identify any potential procedural challenges. Based on the results of this pilot project, the County may decide to implement a longer-term procedure to obtain economic information.

Preliminary results of the pilot project

The EVC has produced economic information from four of the eight projects within the pilot program. The economic information and lessons learned to date will be presented by EVC staff. All of the four projects were subjected to the more complete Tier II analysis, instead of the self-reporting Tier I analysis, per the request of the participating businesses. The four projects included one each of the following types of new development:

- Data center
- Hotel
- Multi-family rental housing
- Single family ownership housing

In total, it was forecast that these four projects would produce the following economic benefits:

- 1,320 jobs
- \$119,255,940 in sales
- \$609,174 in sales tax
- \$30,572,000 in property value

Some lessons learned through this pilot project include the following:

- Businesses were initially reluctant to have their projects analyzed, but they became much more interested once they learned from the EVC how their project data would be used.
- While the analysis in this pilot project enables a consistent methodology for generating economic benefits information for different project types, it does not include certain categories of local expenditures (or “soft costs”) such as environmental review, architectural design, permits, market studies and advertising. Thus, the resulting data understates the economic benefits.
- Some businesses are concerned that incomplete data on economic benefits could lead to a public perception that each project’s return on investment is greater than it really is.

Based upon input from businesses participating to date, EVC staff will assume a more direct role during the remainder of the pilot project to assist applicants identify how their projects may support the EVC Economic Strategy and in defining metrics required for data analysis. Furthermore, the EVC recommends the following refinements to the pilot project:

- Include estimates for soft costs
- Improve outreach to achieve broader understanding by potential participants
- Design and implement tools to enable web-based submittal of project information and tracking of projects
- Create a procedure for tracking outcomes over time

The EVC will present the final results of this pilot project after another four projects are analyzed. This final report is expected to be completed by August 2013.

OTHER AGENCY INVOLVEMENT/IMPACT

The cities have not yet been asked by the EVC to participate in this economic analysis project. The EVC proposes to start with the County, and to approach the cities later once the pilot project is completed. The County Administrative Office worked closely with the EVC and the Planning and Building Department as the EVC prepared for this pilot project.

FINANCIAL CONSIDERATIONS

Funding for this request was provided from funds budgeted but not spent by the Planning and Building Department (Fund Center 142) in fiscal year 2011/12.

RESULTS

The intended result of this report is to provide the Board with an interim report on the pilot project that generates economic benefits information for a limited number of development projects to test the value and procedure for potential future implementation of economic analyses on a broader scale. Subsequently, the procedure may enable consideration of economic benefits along with environmental and community factors when the County approves development projects. Upon completion of the pilot project staff will return to the Board and report the final results.